



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HARLAN COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Joseph A. Grieshop, County Judge/Executive

Honorable Delzinna Belcher, Former County Judge/Executive

Members of the Harlan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Harlan County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Harlan County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Harlan County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Harlan County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky

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John P. McCarty, Secretary

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Our audit was performed for the purpose of forming an opinion on the financial statements of Harlan County, Kentucky, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements. The other information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Schedule of Findings and Questioned Costs, included herein, which discusses the following areas of noncompliance:

- The Fiscal Court Should Adopt An Administrative Code
- The County Should Have A Written Agreement To Protect Deposits
- The County Should Comply With All Grant Agreement Requirements

In accordance with Government Auditing Standards, we have also issued our report dated July 1, 1999, on our consideration of Harlan County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
July 1, 1999

HARLAN COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Delzinna Belcher	County Judge/Executive
Alan Wagers	County Attorney
Larry Lee	County Clerk
Paul Williams	Circuit Court Clerk
Steve Duff	Sheriff
Howard Helton	Jailer
Jerry Blanton	Property Valuation Administrator
Patricia Fields	County Treasurer
Philip Bianchi	Coroner
Paul Caldwell	Magistrate
Curtis Stallard	Magistrate
Raymond Hall	Magistrate
Abe Bailey, Jr.	Magistrate
Virginia Saylor	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

HARLAN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets

General Fund:	
Cash	\$ 2,339,593
Road and Bridge Fund:	
Cash	258,359
Jail Commissary Fund:	
Cash	31,310
Local Government Economic Assistance Fund:	
Cash	924,483
State Grants Fund:	
Cash	1,128
Federal Grants Fund:	
Cash	79,165
Notes Receivable-	
East Kentucky Block Company (Note 4)	24,395
Retirement Account:	
Cash	<u>617</u>
Total Assets	<u><u>\$ 3,659,050</u></u>

Liabilities and Fund Balances

Liabilities

General Fund:	
Escrow Account (Note 5)	\$ 43,000
Federal Grants Fund:	
East Kentucky Block Company-	
Deferred Revenue (Note 4)	24,395
Retirement Account	617

Fund Balances

Reserved:	
Jail Commissary Fund	31,310
State Grants Fund	1,128
Federal Grants Fund	79,165
Unreserved:	
General Fund	2,296,593
Road and Bridge Fund	258,359
Local Government Economic Assistance Fund	<u>924,483</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,659,050</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HARLAN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 7,338,524	\$ 4,039,046	\$ 1,181,661	\$ 283,229
Transfers In	554,790	81,072		473,718
Kentucky Advance Revenue Program	1,119,120	986,865	132,255	
Jail Commissary Fund Receipts	61,693			
Total Cash Receipts	<u>\$ 9,074,127</u>	<u>\$ 5,106,983</u>	<u>\$ 1,313,916</u>	<u>\$ 756,947</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 6,582,448	\$ 2,656,999	\$ 1,202,101	\$ 756,947
Schedule of Unbudgeted Expenditures	39,932			
Transfers Out	554,790	473,718		
Kentucky Advance Revenue Program Repaid	1,119,120	986,865	132,255	
Jail Commissary Fund Expenditures	62,301			
Total Cash Disbursements	<u>\$ 8,358,591</u>	<u>\$ 4,117,582</u>	<u>\$ 1,334,356</u>	<u>\$ 756,947</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 715,536	\$ 989,401	\$ (20,440)	\$ 0
Cash Balance - July 1, 1997	<u>2,918,502</u>	<u>1,350,192</u>	<u>278,799</u>	<u>0</u>
Cash Balance - June 30, 1998	<u><u>\$ 3,634,039</u></u>	<u><u>\$ 2,339,593</u></u>	<u><u>\$ 258,359</u></u>	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

HARLAN COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	Kentucky Housing Corporation and Farmers Home Administration Fund	Local Government Economic Development Fund
\$	\$ 1,363,812	\$	\$ 468,152	\$ 2,624	\$
61,693					
\$ 61,693	\$ 1,363,812	\$ 0	\$ 468,152	\$ 2,624	\$ 0
\$	\$ 1,510,115	\$	\$ 456,286	\$ 39,932 81,072	\$
62,301					
\$ 62,301	\$ 1,510,115	\$ 0	\$ 456,286	\$ 121,004	\$ 0
\$ (608)	\$ (146,303)	\$ 0	\$ 11,866	\$ (118,380)	\$ 0
31,918	1,070,786	1,128	67,299	118,380	0
\$ 31,310	\$ 924,483	\$ 1,128	\$ 79,165	\$ 0	\$ 0

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Harlan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jail Commissary Fund as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Harlan County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The depository institution has made such a pledge, and the depository institution's board of directors or loan committee approved the pledge. However, the depository institution did not have a written agreement with the county.

HARLAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 4. Receivables

On August 4, 1983, the county entered into an agreement with East Kentucky Block Company (Concrete and Masonry of Harlan, Inc.) to loan the company the proceeds from a Community Development Block Grant in the amount of \$200,000.

This amount was disbursed to East Kentucky Block Company in the fiscal year ended June 30, 1984. The agreement established a fifteen (15) year loan at four (4) percent interest with 180 payments in the sum of \$1,480 with the first payment due September 1, 1984. Also, a sum of \$8,000 was to be paid prior to the start of monthly payments. As of the audit date, East Kentucky Block Company had made the \$8,000 payment and one hundred sixty three (163) monthly payments to the County, for a total of \$241,240, including \$175,605 in principal and \$73,620 in interest. The unpaid principal balance due the County at June 30, 1998 was \$24,395.

The county had garbage collection receivable charges of \$199,144 as of June 30, 1998. This total includes amounts owed from as far back as June 1994. Five of these accounts represent sixty-five (65) percent of the total. These accounts are Brackett Brothers-\$9,219; City of Cumberland-\$87,514; the City of Evarts-\$16,407; City of Loyall-\$9,417; and City of Lynch-\$7,317. The balance is owed by small businesses and individuals with relatively small balances.

Note 5. General Fund Escrow Liability

During the early 1980's, the State of Kentucky discovered Harlan County was operating an illegal landfill. In lieu of a fine, the parties agreed to the establishment of this bank account for payment of services, as specified by the State. As of June 30, 1998, the escrow balance was \$43,000, which is included in the cash balance for the general fund.

Note 6. Lease-Purchase Agreements

On February 20, 1997, the county entered into a lease-purchase agreement with IBM Credit Corporation for the purchase of computer equipment. The terms of the agreement call for five annual payments of \$20,050 beginning July 1, 1998.

Note 7. Insurance

For the fiscal year ended June 30, 1998, Harlan County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

HARLAN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 4,315,771	\$ 4,039,046	\$ (276,725)
Road and Bridge Fund	1,338,983	1,181,661	(157,322)
Jail Fund	825,249	283,229	(542,020)
Local Government Economic Assistance Fund	1,724,000	1,363,812	(360,188)
State Grants Fund	10,000		(10,000)
Federal Grants Fund	773,760	468,152	(305,608)
Local Government Economic Development Fund	<u>1,000,000</u>		<u>(1,000,000)</u>
Totals	<u>\$ 9,987,763</u>	<u>\$ 7,335,900</u>	<u>\$ (2,651,863)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 9,987,763
Add: Prior Year Surplus Budgeted	<u>207,500</u>
Total Operating Budget All Funds Schedule C	\$ 10,195,263
Less: Other Financing Uses	<u>(1,119,120)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 9,076,143</u>

SCHEDULE OF OPERATING REVENUE

HARLAN COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<hr/>				
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 2,421,035	\$ 2,421,035	\$	\$
Sheriff Fees - Pooling	366,030	366,030		
County Clerk:				
Deed Transfer Tax	7,684	7,684		
Delinquent Taxes	45,194	45,194		
Tangible Personal Property Taxes:				
Other Counties	26,346	26,346		
In Lieu of Taxes:				
TVA	35	35		
U.S. Treasurer	2,476	2,476		
National Forest	621		621	
911 Telephone Surcharge	170,525	170,525		
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 3,039,946	\$ 3,039,325	\$ 621	\$ 0
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Federal Receipts - State Treasurer</u>				
Community Development Block Grants -				
Community Rivers and Streams	\$ 720	\$	\$	\$
Abandoned Mine Lands	447,792			
Federal Reimbursement	17,760			
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 466,272	\$ 0	\$ 0	\$ 0
	<hr/>	<hr/>	<hr/>	<hr/>

HARLAN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	Kentucky Housing Corporation and Farmers Home Administration Fund
\$	\$	\$	\$
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$ 720 447,792 17,760	\$
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 466,272</u>	<u>\$ 0</u>

HARLAN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 144,897	\$	\$	\$ 144,897
Medical Allotments	9,738			9,738
DUI Service Fees	6,231			6,231
Housing State Prisoners	88,800			88,800
County Road Aid	881,665		881,665	
Transportation Cabinet	126,320		126,320	
Truck License Distribution	151,650		151,650	
Strip Mine Permits	55,156	55,156		
Courthouse Rental - AOC	53,778	53,778		
Refunds:				
Legal Process Tax	217	217		
Drivers License	3,120		3,120	
Severance Taxes:				
Coal	1,120,491			
Mineral	13,448			
Board of Assessments	1,200	1,200		
Grants:				
Mine Museum	198,739			
Heritage	5,200	5,200		
DES Reimbursement	1,704	1,704		
Totals	<u>\$ 2,862,354</u>	<u>\$ 117,255</u>	<u>\$ 1,162,755</u>	<u>\$ 249,666</u>
<u>Miscellaneous Revenue</u>				
Interest	\$ 141,451	\$ 89,928	\$ 15,885	\$
Circuit Court Clerk:				
Jail Cost	6,570			6,570
Work Release	910			910

HARLAN COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	Kentucky Housing Corporation and Farmers Home Administration Fund
\$	\$	\$	\$
1,120,491			
13,448			
198,739			
<u>\$ 1,332,678</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 31,134	\$	\$ 1,880	\$ 2,624

HARLAN COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u> (Continued)				
Jail:				
Telephone Commissions	\$ 23,508	\$	\$	\$ 23,508
Bond Fees	2,520			2,520
Charges for Services:				
Garbage Collection	264	264		
Transfer Station	707,478	707,478		
Recycling Revenue	26,790	26,790		
Parks and Recreation	35,991	35,991		
Other Courthouse Rental	1,100	1,100		
Vending Machine Commissions	1,111	1,111		
County Attorney Surplus Money	9,039	9,039		
Miscellaneous Items	13,220	10,765	2,400	55
Totals	\$ 969,952	\$ 882,466	\$ 18,285	\$ 33,563
Total Operating Revenue	<u>\$ 7,338,524</u>	<u>\$ 4,039,046</u>	<u>\$ 1,181,661</u>	<u>\$ 283,229</u>

Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	Kentucky Housing Corporation and Farmers Home Administration Fund
\$	\$	\$	\$
\$ 31,134	\$ 0	\$ 1,880	\$ 2,624
\$ 1,363,812	\$ 0	\$ 468,152	\$ 2,624

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

HARLAN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 48,312	\$ 48,312	\$
Deputy County Judge/Executive	35,686	35,686	
Other Salaries	67,000	66,403	597
Office Materials and Supplies	25,000	22,837	2,163
New Office Equipment	2,000	190	1,810
Office of County Attorney:			
Salaries-			
County Attorney	35,235	35,235	
Assistant County Attorney	18,951	18,951	
Other Salaries	37,500	36,370	1,130
Office of County Clerk:			
Per Diem and Fees	28,000	27,367	633
Office of Sheriff:			
Salaries-			
Sheriff	48,313	48,313	
Deputies	249,000	247,502	1,498
Advertising Tax Bills	22,850	22,839	11
Narcotics Enforcement	4,000	2,000	2,000
Vehicle Maintenance and Equipment	35,300	34,971	329
New Equipment	99,000	98,777	223
Office Supplies	33,050	32,042	1,008
Travel	1,800	1,102	698
Uniforms	12,850	12,438	412
Memberships	650		650
Reimbursements	5,000		5,000
Office of County Coroner:			
Salaries-			
County Coroner	10,702	10,702	
Deputy Coroner	6,308	6,308	

HARLAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Office of County Coroner: (Continued)			
Materials and Supplies	\$ 1,000	\$ 594	\$ 406
Travel	4,500	4,475	25
Fiscal Court:			
Magistrates-			
Salaries	145,600	145,600	
Other Salaries and Wages	700	609	91
Expense Allowance	18,000	18,000	
Advertising	8,000	7,900	100
Office Supplies	1,800	1,510	290
Office of Property Valuation Administrator:			
Statutory Contribution	27,300	27,300	
Office of Board of Assessment Appeals:			
Per Diem	1,400	1,296	104
Office of County Treasurer:			
Salaries-			
County Treasurer	32,012	32,012	
Other Salaries	33,000	32,214	786
Insurance-Fidelity and Surety	2,100	2,005	95
Office Supplies	22,500	22,242	258
New Office Equipment	7,400	7,322	78
Advertising	500	381	119
County Law Library:			
Law Librarian Salary	1,200	1,200	
Elections:			
Per Diem-			
Election Commissioners	1,000		1,000
Election Officers	17,000	16,760	240
Tabulators	1,000		1,000
Advertising	10,000	5,349	4,651

HARLAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Elections: (Continued)			
Voting Machines	\$ 1,000	\$	\$ 1,000
Polling Places	1,000		1,000
Courthouse:			
Custodial Personnel Salaries	37,000	34,884	2,116
Materials and Supplies	20,000	16,913	3,087
Renewals and Repairs	30,000	28,922	1,078
Utilities	20,000	19,655	345
<u>Protection to Persons and Property</u>			
Disaster and Emergency Services:			
Director Salary	3,088	3,088	
Equipment	25,000		25,000
Office Supplies	2,000	956	1,044
Emergency Dispatch Service	130,000	95,549	34,451
Emergency Dispatch Service Salaries	15,000	15,000	
Emergency Materials and Supplies	3,000	2,310	690
Forestry Fire Protection:			
Kentucky State Treasurer	11,400	10,672	728
Commonwealth Attorney:			
Supplies	5,790	5,790	
<u>General Health and Sanitation</u>			
Dog Control:			
Salaries	19,194	19,194	
Rentals	3,000	3,000	
Animal Food and Supplies	4,000	3,269	731
Travel	3,000	2,953	47

HARLAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Health and Sanitation (Continued)</u>			
Other Health Programs:			
Pest Control	\$ 2,000	\$ 1,000	\$ 1,000
Contribution	5,000	134	4,866
Services to Children and Youth:			
Contribution	2,000	71	1,929
Senior Citizens:			
Office	5,000	5,000	
<u>Protection to Persons and Property</u>			
Transfer Station:			
Salaries	26,000	25,725	275
Contracted Services	15,195	25	15,170
Renewals and Repairs	10,000	2,908	7,092
Utilities	6,000	4,688	1,312
Recycling Center:			
Salaries	120,000	118,568	1,432
Machinery and Equipment	26,000	25,485	515
Renewals and Repairs	9,000	4,621	4,379
Equipment	12,000	10,295	1,705
Utilities	8,000	7,194	806
Rewards	1,000	1,000	
<u>Recreation and Culture</u>			
Parks:			
Salaries	115,000	114,867	133
Program Support	94,000	93,478	522
Rentals	10,000	8,370	1,630
Utilities	10,000	5,169	4,831
Heritage Land:			
Site Development	606,320	5,200	601,120

HARLAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Debt Service</u>			
Borrowed Money:			
Interest	\$ 22,000	\$ 21,100	\$ 900
<u>Administration</u>			
General Services:			
Salaries	30,000	28,763	1,237
Audit Services	45,000	44,980	20
Legal Fees	5,000	4,572	428
Functional Specific Equipment	30,000	27,091	2,909
Insurance	225,500	225,493	7
Membership-Coal Coalition	10,750	10,295	455
Memberships-ADD	7,200	7,121	79
Travel	9,500	9,085	415
Miscellaneous	1,000	75	925
Reserve for Transfers	11,750		11,750
Fringe Benefits:			
County Contributions-			
Social Security-			
Fiscal Court	62,000	60,334	1,666
Clerk	25,500	25,350	150
Sheriff	22,000	21,291	709
Retirement-			
Fiscal Court	71,000	69,746	1,254
Clerk	29,000	27,885	1,115
Sheriff	24,000	21,873	2,127
Health Insurance-			
Fiscal Court	120,000	117,794	2,206
Clerk	40,000	31,391	8,609
Sheriff	42,000	40,988	1,012

HARLAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits: (Continued)			
Worker's Compensation-			
Fiscal Court	\$ 15,100	\$ 15,006	\$ 94
Clerk	1,500	913	587
Sheriff	8,900	8,899	1
Unemployment Insurance-			
Fiscal Court	2,500	1,823	677
Clerk	600	554	46
Sheriff	3,600	3,510	90
Total Operating Budget	\$ 3,443,906	\$ 2,656,999	\$ 786,907
Other Financing Uses:			
Kentucky Advance Revenue Program-			
Principal	986,865	986,865	
Total General Fund	\$ 4,430,771	\$ 3,643,864	\$ 786,907
<u>ROAD AND BRIDGE FUND</u>			
<u>Transportation Facilities and Services</u>			
Road Facilities:			
Utilities	\$ 7,000	\$ 4,938	\$ 2,062
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	68,500	67,606	894
Road Maintenance:			
Road Labor Salaries	455,450	449,227	6,223
Materials	299,478	299,471	7
Machinery and Equipment	192,000	184,301	7,699
Uniforms	8,000	7,257	743
Miscellaneous	1,000	56	944

HARLAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Roads (Continued)</u>			
Energy Recovery:			
Road Materials	\$ 700	\$	\$ 700
<u>Protection to Persons and Property</u>			
Forest Fire Protection:			
National Forestry Receipts	350	310	40
<u>Debt Service</u>			
Borrowed Money:			
Interest	3,750	2,828	922
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	41,000	39,212	1,788
Social Security	36,000	34,535	1,465
Health Insurance	80,000	79,670	330
Worker's Compensation	31,000	30,867	133
Unemployment Insurance	2,500	1,823	677
Total Operating Budget	\$ 1,226,728	\$ 1,202,101	\$ 24,627
Other Financing Uses:			
Kentucky Advance Revenue Program-			
Principal	132,255	132,255	
Total Road and Bridge Fund	<u>\$ 1,358,983</u>	<u>\$ 1,334,356</u>	<u>\$ 24,627</u>

HARLAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 48,312	\$ 48,312	\$
Jail Personnel	324,000	323,550	450
Operations-			
Housing Prisoners	1,000	44	956
Food	120,000	97,815	22,185
Office Supplies	4,000	3,979	21
Other Materials and Supplies	50,000	40,072	9,928
Routine Medical	42,200	42,131	69
Staff Uniforms	4,000	503	3,497
Renewals and Repairs	52,362	41,441	10,921
Staff Training	565	565	
Staff Travel	1,400	606	794
Machinery and Equipment	1,000	685	315
Utilities	33,000	31,202	1,798
Association Dues	450	400	50
Miscellaneous	960		960
Juvenile Detention:			
Housing Juveniles	3,000	2,700	300
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	32,000	29,594	2,406
Social Security	28,000	27,153	847
Health Insurance	53,000	52,287	713
Worker's Compensation	25,000	12,994	12,006
Unemployment Insurance	1,000	914	86
Total Jail Fund	\$ 825,249	\$ 756,947	\$ 68,302

HARLAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>General Government</u>			
Economic Development:			
Utilities	\$ 20,000	\$ 18,186	\$ 1,814
Land Improvement	50,000	29,283	20,717
<u>Protection to Persons and Property</u>			
County Fire Department:			
Equipment	50,000	49,988	12
Landfill:			
Contracted Services	117,000	17,735	99,265
Transfer Station:			
Contracted Services	671,158	633,372	37,786
<u>Transportation Facilities and Services</u>			
Road Maintenance:			
Asphalt	370,000	364,471	5,529
Materials	205,842	204,233	1,609
Soil and Water Conservation	22,500		22,500
<u>Capital Projects</u>			
Buildings:			
Contributions	10,000	10,000	
Mine Museum:			
Contracted Services	280,000	182,847	97,153
Total Local Government Economic Assistance Fund	<u>\$ 1,796,500</u>	<u>\$ 1,510,115</u>	<u>\$ 286,385</u>
<u>STATE GRANTS FUND</u>			
General Health and Sanitation:			
Water System - Capital	<u>\$ 10,000</u>	<u>\$ 0</u>	<u>\$ 10,000</u>

HARLAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>FEDERAL GRANTS FUND</u>			
General Health and Sanitation:			
Capital Projects-			
Water System	\$ 18,760	\$	\$ 18,760
Abandoned Mine Lands	740,000	447,792	292,208
Hosiery Factory	5,000		5,000
Community Rivers and Streams	10,000	8,494	1,506
Total Federal Grants Fund	<u>\$ 773,760</u>	<u>\$ 456,286</u>	<u>\$ 317,474</u>
<u>LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND</u>			
Capital Projects:			
Building	<u>\$ 1,000,000</u>	<u>\$ 0</u>	<u>\$ 1,000,000</u>
Total Operating Budget - All Funds	\$ 9,076,143	\$ 6,582,448	\$ 2,493,695
Other Financing Uses:			
Kentucky Advance Revenue Program-			
Principal	<u>1,119,120</u>	<u>1,119,120</u>	
TOTAL BUDGET - ALL FUNDS	<u>\$ 10,195,263</u>	<u>\$ 7,701,568</u>	<u>\$ 2,493,695</u>

SCHEDULE OF UNBUDGETED EXPENDITURES

HARLAN COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

<u>Expenditure Item</u>	Kentucky Housing Corporation and Farmers Home Administration <u>Fund</u>
U. S. Treasurer - Rural Development- Eastbrook Project Closeout	<u>\$ 39,932</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Joseph A. Grieshop, County Judge/Executive
Honorable Delzinna Belcher, Former County Judge/Executive
Members of the Harlan County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Harlan County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated July 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Harlan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under Government Auditing Standards.

- The Fiscal Court Should Adopt An Administrative Code
- The County Should Have A Written Agreement To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harlan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Joseph A. Grieshop, County Judge/Executive
Honorable Delzinna Belcher, Former County Judge/Executive
Members of the Harlan County Fiscal Court
Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 1, 1999

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Joseph A. Grieshop, County Judge/Executive
Honorable Delzinna Belcher, Former County Judge/Executive
Members of the Harlan County Fiscal Court

Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Harlan County, Kentucky, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 1998. Harlan County's major federal program is identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Harlan County's management. Our responsibility is to express an opinion on Harlan County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harlan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Harlan County's compliance with those requirements.

In our opinion, Harlan County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1998. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs.

- The County Should Comply With All Grant Agreement Requirements

Honorable Joseph A. Grieshop, County Judge/Executive
Honorable Delzinna Belcher, Former County Judge/Executive
Members of the Harlan County Fiscal Court
Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Harlan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Harlan County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
July 1, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HARLAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Harlan County.
2. No reportable conditions related to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Harlan County were disclosed during the audit.
4. No reportable conditions related to the audit of the major federal awards program is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award program for Harlan County expresses an unqualified opinion.
6. Audit findings relative to the major federal awards programs for Harlan County are reported in Part C of this Schedule.
7. The program tested as a major program was: Abandoned Mine Land Reclamation Programs (CFDA #15.252)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Harlan County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None

NONCOMPLIANCES

1) The Fiscal Court Should Adopt An Administrative Code

The Fiscal Court has not adopted an administrative code in proper form as required by KRS 68.005. The required areas are as follows:

- a. General administration of the office of county judge/executive, county administrative agencies, and public authorities;
- b. Administration of county fiscal affairs, including budget formulation, receipt and disbursement of county funds and preparation of records for the county audit, and the filing of claims against the county;
- c. Personnel administration, including description and classification of nonelected positions, selection, assignment, supervision and discipline of employees, employee complaints and the county affirmative action program;
- d. County purchasing and award of contracts; and
- e. Delivery of county services.

We recommend the Fiscal Court adopt an administrative code in proper form.

HARLAN COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Fiscal Year Ended June 30, 1998
 (Continued)

REPORTABLE CONDITIONS (Continued)

1) The Fiscal Court Should Adopt An Administrative Code (Continued)

Management's Response:

An administrative code workshop series is planned for August, 1999, with passage intended to follow.

NONCOMPLIANCES

2) The County Should Have A Written Agreement To Protect Deposits

The county maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The county had a bank balance of \$3,647,139; FDIC insurance of \$100,661; and securities pledged of \$4,500,000 as of March 31, 1998. In a separate bank, the county had a bank balance of \$729,049; FDIC insurance of \$100,000; and securities pledged of \$1,500,000 as of March 31, 1998. Even though the county obtained pledged securities of \$4,500,000 and \$1,500,000, respectively, the pledges were not evidenced by a written agreement. We recommend the county enter into a written agreement with the depository institutions. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

County Treasurer is in the process of preparing this document.

PRIOR YEAR FINDINGS

The County Should Have A Written Agreement To Protect Deposits.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
 AUDIT

1) The County Should Comply With All Grant Agreement Requirements

During the 1997-98 fiscal court audit, we noted that the County Judge's office did not maintain all records pertaining to federal grants received by the County. The Fiscal Court received a grant for \$630,000 from the Abandoned Mines Land Reclamation Program CFDA #15.252 that was passed through by the Natural Resources and Environmental Protection Cabinet. The grant agreement between the County and the Cabinet required the County to maintain records for all related work, whether performed by the county or other governmental agencies or private sector companies. The County did not maintain copies of bid advertisements and contracts with the construction company.

HARLAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 1998
(Continued)

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
AUDIT (Continued)

1) The County Should Comply With All Grant Agreement Requirements (Continued)

The County also did not monitor the wages paid by the construction company to see that they were in compliance with the prevailing wage rate required by the grant. In the future, we recommend the County comply with the requirements of the grant agreement.

Management's Response:

The County Judge/Executive's office will set up a file for all active grants for compliance with the terms of each grant. This will be set up within ninety (90) days.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HARLAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>

Cash Programs

U.S. Department of the Interior

Passed-Through State Department
of Natural Resources:

Abandoned Mine Land Reclamation
Programs-

Cranks Creek Phase II Project
(CFDA # 15.252)

E41504 \$ 401,316

Upper Clover Fork Groundwater
Contamination Study
(CFDA #15.252)

Not Available 46,476

U.S. Department of Justice

Passed-Through State Justice Cabinet:

Direct Programs:

Local Law Enforcement Block
Grant
(CFDA #16.592)

96-LB-VX-501 34,934

U.S. Department of Transportation

Passed-Through State Department of Transportation
(CFDA # 20.205)

Not Available 182,847

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 1998
(Continued)

Cash Programs (Continued)

U.S. Federal Emergency Management Agency

Passed-Through State Department
of Military Affairs:

Disaster and Emergency

Assistance Grants-

Coordinator Salary

(CFDA #83.503)

Not Available \$ 1,704

Total Cash Expenditures of Federal Awards \$ 667,277

Noncash Programs

U.S. Department of Agriculture

Passed-Through State Cabinet
for Human Resources:

Commodity Program

(CFDA #10.569)

Not Available \$ 952

Total Noncash Expenditures of Federal Awards \$ 952

See Notes to the Schedule of Expenditures of Federal Awards.

HARLAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Note 1 - Basis of Presentation

This schedule is presented on a cash basis except for the noncash programs, which represents commodities received and distributed by the county. The dollar value of these commodities has been provided by the Department of Agriculture.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

HARLAN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

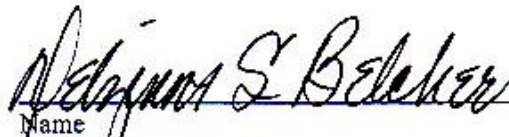
Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

HARLAN COUNTY FISCAL COURT

The Harlan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer